



## GASB 68 Information

### Introduction

The Governmental Accounting Standards Board (GASB) has adopted Statements 67, 68 and 71 as they relate to accounting and financial reporting for pensions. GASB Statement 71 is a one page amendment to GASB 68. Within the context of this document, readers should consider the terminology "GASB Statement 68" to also include Statement 71. GASB Statement 67 applies to public pension plans such as the Tennessee Consolidated Retirement System (TCRS). The June 30, 2014 TCRS financial statements were presented in accordance with the provisions of GASB 67. The TCRS financial statement for June 30, 2014 can be found at [http://treasury.tn.gov/TCRS\\_Annual\\_Reports.html](http://treasury.tn.gov/TCRS_Annual_Reports.html).

GASB Statement 68 applies to governmental employers and is applicable for fiscal years beginning after June 15, 2014. The concept behind GASB 68 is the separation of "*accounting for pensions*" from "*funding of pensions*." Previously, "*accounting for pensions*" and "*funding of pensions*" were closely linked. GASB 68 establishes the accounting and financial reporting standards for pension benefits, while pension fund administrators are responsible for the funding methodology used to finance pension benefit accruals. Accordingly, the TCRS Board of Trustees has adopted a pension funding policy. This policy can be found at <http://treasury.tn.gov/tcrs/PDFs/FundingPolicy.pdf>.

### What are the New Requirements in GASB 68?

There are five main items included in GASB 68.

First, an employer is to record a *net pension liability (asset)* on the Statement of Net Position when there is a difference between the *total pension liability* and *fiduciary net position*. GASB 68 describes how *total pension liability* is to be calculated. *Total pension liability* is the accrued pension liability for benefits payable to employees (including terminated vested employees) and retirees at the measurement date (i.e. June 30, 2014 for the enclosed materials). *Fiduciary net position* is the value of net assets held by the pension plan at the measurement date (i.e. June 30, 2014 for the enclosed materials). If *total pension liability* is more than net assets, a *net pension liability* is recorded and presented in the Statement of Net Position. Net pension liability is shown much like long-term debt in the financial statements. Conversely, if *total*

*pension liability* is less than net assets, a *net pension asset* is recorded and presented in the Statement of Net Position.

Second, GASB 68 describes how *pension expense (income)* is to be calculated. Previously, *pension expense (income)* was the amount of the employer's actuarially determined contribution (previously called annual required contribution) made to the pension plan. This is no longer the case under GASB 68. Going forward, there is no relationship between *pension expense (income)* and employer pension contributions. It is important to recognize that employer pension contributions can be more or less than *pension expense (income)* in any particular year.

Third, GASB 68 describes how *deferred outflows of resources*, related to pensions, are to be calculated. *Deferred outflows of resources* include actuarial losses related to the differences between expected and actual experience for the pension plan's adopted economic and demographic assumptions, as well as employer contributions. Changes in actuarial assumptions that result in an actuarial loss are included in *deferred outflows of resources*.

Fourth, GASB 68 describes how *deferred inflows of resource*, related to pensions, are to be calculated. *Deferred inflows of resources* include actuarial gains related to the differences between expected and actual experience for the pension plan's adopted economic and demographic assumptions. Changes in actuarial assumptions that result in an actuarial gain are included in *deferred inflows of resources*.

Fifth, GASB 68 describes pension information to be included in the Notes to the Financial Statements and Required Supplementary Information (RSI).

### **Types of Pension Plans Pursuant to GASB's Definition**

Based on GASB definitions, there are two types of pension plans within TCRS: *agent* and *cost-sharing*. All employers participating in TCRS, with the exception Local Education Agencies (LEAs), do so through *agent plans*. LEAs participate in a *cost-sharing pension plan* for the benefit of employees classified as teachers. However, non-professional employees of LEAs, if members of TCRS, are covered through *agent plans that are* sponsored by their local government.

### **Information Provided**

The following information is being provided via the TCRS website:

- Suggested Notes to the Financial Statements and RSI for pension data.
  - Notes for agent plans are provided for participating governmental entities, whether the plan is open or closed to new employees.

- Notes for cost-sharing plans are provided for LEAs.
- Suggested accounting entries required pursuant to GASB 68.
- Specific to LEAs for the Teacher Legacy Pension Plan, a Schedule of Pension Amounts showing each LEAs proportionate share of *net pension liability (asset)*, *pension expense (income)*, *deferred outflows of resources*, and *deferred inflows of resources*.
  - This Schedule of Pension Amounts will show the LEA’s employer contributions, total employer contributions from all LEAs, and the percentage allocation among LEAs.
- Actuarial certification statement and report by the actuarial firm of Bryan, Pendleton, Swats, and McAlister, LLC.
- List of governmental employers that do not provide COLAs to retirees. (Appendix A)
- List of governmental employers that have closed membership to new employees. (Appendix B)
- List of governmental employers that have non-contributory employees. (Appendix C)

While the enclosed information is provided for your convenience, as the employer you are responsible for your financial statements, including application of the GASB 68 provisions. We recommend that you utilize the services of your internal and external auditors to understand the requirements of GASB 68 and determine the appropriate disclosures and accounting entries.

### **Access to Census Data by Participating Agent Plans**

Census data used in the actuarial calculations of the GASB 68 pension data was previously made available to you. If for some reason you need this census data again, please contact Jamie Wayman (615-253-3847) or Ashley Humphrey (615-532-8091).

### **Additional Information Specific to Cost-Sharing Plans (LEAs)**

Two sets of *Notes to the Financial Statements* and *RSI* are being provided to LEAs. One set will relate to the Teacher Legacy Pension Plan, and the other set will relate to the Teacher Retirement Plan which became effective for teachers hired on or after July 1, 2014.

For those LEAs with charter schools, you are responsible for separating the pension data for your LEA and each charter schools in the first year. In subsequent years, charter schools will be shown separately, since they were reported under a separate identifying department code as of July 1, 2014.

### **Additional Information Specific to Agent Plans**

If a governmental employer does not provide cost-of-living adjustments (COLA) to retirees, the COLA language, within the “benefits provided” paragraph and the “actuarial assumptions table”, should be omitted.

If a governmental entity has closed membership to new employees, the *Notes to the Financial Statements* should denote this and the effective date of closure.

If a governmental entity has non-contributory employees, the “contributions” paragraph should be adjusted to reflect this.

Lists of governmental employers that do not provide COLAs to retirees, have closed membership to new hires and have non-contributory employees are included as appendices to this report.

### **Measurement Date and Actuarial Valuation Date**

GASB gives governmental employers some flexibility as to the measurement date of *net pension liability (asset)* and *pension expense (income)*. Accordingly, the measurement date for the enclosed data is June 30, 2014 for inclusion in your June 30, 2015 financial statements. The pension data is the result of the June 30, 2014 actuarial valuation. Therefore, auditors will audit pension data for the period July 1, 2013 to June 30, 2014.

The measurement date for your June 30, 2016 financial statements will be June 30, 2015. The pension data will be the result of a June 30, 2015 actuarial valuation.

### **Schedule of Changes in *Net Pension Liability (Asset)***

Since there were not any changes of assumptions or changes in the benefit terms during the period of July 1, 2013 to June 30, 2014, there is nothing to report for these items in the schedule of changes in *Net Pension Liability (asset)* within the enclosed material this year.

### **Covered-Employee Payroll**

Information regarding covered-employee payroll in the *Schedules of Required Supplementary Information* is based on the earnable compensation reported to TCRS.

### **Fair Value of Assets**

The *Fiduciary Net Position* at June 30, 2014 is based on fair value, in accordance with generally accepted accounting principles.

### **Schedule of Employer Contributions**

The provided *Schedule of Employer Contributions* reflects your agency's contributions as of June 30, 2014. You will need to add the employer contributions as of June 30, 2015. By contributing the required Actuarially Determined Contributions, you can show the contribution deficiency (excess) as zero.

### **Actuarial Services Provided to TCRS**

Bryan, Pendleton, Swats and McAlister, LLC is the actuarial firm engaged by TCRS to perform the following actuarial services:

- Preparation of annual actuarial data required by GASB 68 beginning with June 30, 2014 to be used for the June 30, 2015 financial statements.
- Perform an annual actuarial valuation beginning June 30, 2015 to calculate the *actuarially determined contribution (ADC)*.

You should note a change beginning with the June 30, 2015 actuarial valuation. Previously, the employer contribution rate was determined for a two year period. Going forward, the employer contribution rate will be determined for a one year period. For example, the June 30, 2015 actuarial valuation will establish the employer contribution rate for the period July 1, 2016 through June 30, 2017. The June 30, 2016 actuarial valuation will establish the employer contribution rate for the period July 1, 2017 through June 30, 2018. This information only relates to actuarial contribution rates and is not to be confused with the above information related to GASB Statement 68 and the determination of *net pension liability, pension expense (income)*, and related deferrals.

The employer contribution rate for the period July 1, 2015 through June 30, 2016 will not change. The employer contribution rate will be the same as what was in effect for the period from June 30, 2014 to June 30, 2015. A new rate will be determined beginning for the period July 1, 2016 to June 30, 2017.

- Perform an actuarial experience study to establish economic and demographic assumptions to be utilized in the annual actuarial valuation. The next actuarial experience study is scheduled for June 30, 2016 which will be utilized in the June 30, 2017 actuarial valuation. When the actuarial experience study is performed and adopted by the TCRS Board of Trustees, additional information will be required in the *Notes to the Financial Statements* and the *RSI*.

### **Volatile Nature of Net Pension Liability (Asset)**

The *net pension liability (asset)* at June 30, 2014, which is being recorded in the June 30, 2015 financial statements, needs to be viewed with the understanding that several favorable trends

occurred during that fiscal year. The likelihood is that pension liabilities will be less favorable when the June 30, 2015 *net pension liability (asset)* is determined for the June 30, 2016 financial statements.

The favorable trends that reduced overall expected pension liabilities for the year ended June 30, 2014 included (1) investment returns of more than 16 percent, which significantly exceeded the 7.5 percent assumption, (2) cost-of living adjustments for retirees, which were less than assumed for actuarial purposes, and (3) employee salary adjustments, which were collectively less than assumed for actuarial purposes. The biggest driver impacting pension liabilities was investment returns.

Since the investment marketplace has been less favorable during the current year, it is likely that the *net pension liability (asset)* will be less favorable in the June 30, 2016 financial statements than the amount recorded in the June 30, 2015 financial statements.

### **Contact information**

If you or your auditors have any questions about the information we have provided or the information in the actuarial report, please feel free to contact any of the following persons:

- Jamie Wayman, Assistant Director of TCRS (615) 253-3847
- Ashley Humphrey, Staff Assistant to the Treasurer (615) 532-8091

To ensue your questions are handled promptly and efficiently, all communication regarding the GASB 68 pension information should be directed to the TCRS staff listed above.

**Appendix A: Employers that have withdrawn from TCRS (closed membership to new employees)**

<b>Department Code</b>	<b>Employer Name</b>	<b>Year Withdrawn</b>
83670	Crossville	2013
83890	Savannah	2013
87392	Weakley County Gen Fund	2013
80010	Kingsport	2012
83440	Tri Cities Airport Comm	2012
87480	Madison County Gen Fund	2012
80910	Lakewood	2011
80020	Johnson City	2010
83280	Forest Hills	2010
83860	Hardin County Gen Hospital	2008
89680	City Of Elkton	2008
89940	City Of Coopertown	2008
88491	Tennessee Organization Of School Superintendents	2007
88860	Town Of Collierville	2007
87600	Jackson Madison County Library	2006
89530	Cookeville Regional Medical Center Authority	2006
88350	City Of South Fulton	2000
80210	Clarksville Mem Hospital	1997
80120	Rogersville Housing Authority	1991
80510	West Knox Utility District	1991
87590	Tracy City	1990
80670	Humphreys County Nursing Home	1989
87030	South Central Human Resource Agency	1984
87580	Meigs County General And Highway Department	1984
87260	Volunteer General Hospital	1981

**Appendix B: Employers that do not provide COLAs**

<b>Department Code</b>	<b>Employer Name</b>	<b>Year Employer ceased COLAs (if applicable)</b>
80042	GREENEVILLE LIGHT AND POWER	1982
80200	TELLICO PLAINS	1987
80551	LEWIS COUNTY	
81120	EAST FORK UTILITY DISTRICT	
81130	DOUBLE SPRINGS UTILITY DISTRICT	
81200	MCKENZIE	
81220	WEBB CREEK UTILITY DISTRICT	
81240	BRIGHTON	
81260	MOSHEIM	
81300	VAN BUREN COUNTY E 911	
81310	PEGRAM	
81340	LOUDON UTILITIES	
81350	SURGOINSVILLE TOWN OF	
81360	RUTHERFORD TOWN OF	
81440	MEDINA CITY OF	
81450	DECATUR TOWN OF	
81460	OCONNOR UTILITY DISTRICT	
81510	SOUTH PITTSBURG CITY OF	
81550	DEWHITE UTILITY DISTRICT	
81580	CHUCKEY UTILITY DISTRICT	
81590	CROSS ANCHOR UD	
81884	WATAUGA CITY OF	
81885	WHITE BLUFF TOWN OF	
81890	TOWN OF HUNTINGDON	
83500	WHITE CO GENERAL FUND	1979
83660	OBION COUNTY COURT	1979
83687	CARROLL COUNTY COMMISSIONERS	
83790	LAKE COUNTY	1979
87520	DEKALB COUNTY	
87550	ELIZABETHTON	
87580	MEIGS CO GEN AND HWY	
87660	ERWIN TOWN OF	
87710	BELLE MEADE CITY OF	
87754	FIRST UTILITY OF HAWKINS COUNTY	
87820	OLIVER SPRINGS	
87880	CLAIBORNE CO COURTHOUSE	
87890	MCNAIRY CO COURTHOUSE	
88030	CORNERVILLE	
88140	QUEBECK WALLING UTILITY DISTRICT	
88320	DECATURVILLE	
88330	WAYNESBORO	



**Appendix B: Employers that do not provide COLAs (Continued)**

<b>Department Code</b>	<b>Employer Name</b>	<b>Year Employer ceased COLAs (if applicable)</b>
88450	BYRDSTOWN	
88480	FRIENDSVILLE	
88710	SIGNAL MOUNTAIN	
88980	WHITE COUNTY EMERGENCY 911 DISTRICT	
89080	KENTON TOWN OF	
89160	LAWRENCEBURG CITY OF	
89180	WEAKLEY CO MUNICIPAL ELECTRIC SYSTEM	
89181	WEAKLEY CO MUNICIPAL ELECTRIC SYSTEM-DB	
89200	JAMESTOWN CITY OF GENERAL FUND	
89240	MCEWEN CITY OF	
89250	OBION TOWN OF	
89260	DECATUR COUNTY	
89270	KINSER PARK	
89310	GREATER DICKSON GAS AUTHORITY	
89330	MARTIN	
89430	POLK COUNTY	
89440	MILLERSVILLE CITY OF	
89470	FALL CREEK FALLS UTILITY DISTRICT	
89500	MOSCOW TOWN OF	1999
89560	DOUGLAS CHEROKEE ECONOMIC AUTHORITY	
89590	TENNESSEE MUNICIPAL LEAGUE	
89620	DYERSBURG SUBURBAN UTILITY DISTRICT	
89630	CARROLL COUNTY 911 EMERGENCY DISTRICT	
89660	UNICOI TOWN OF	
89680	ELKTON CITY OF	
89690	NORTH UT DIST OF DECATUR BENTON CO	
89730	LINCOLN COUNTY BOARD OF PUBLIC UTILITIES	
89810	HENDERSON COUNTY COURTHOUSE	
89820	FENTRESS COUNTY ECD	
89940	COOPERTOWN CITY OF	
89980	DECHERD CITY OF	

## Appendix C: Employer with Non-Contributory Employees

Department Code	Employer Name	Year of Non-Contributory Status Adoption	Year of Non-Contributory Status Reversal (if applicable)
80010	KINGSPORT	1990	2010
80020	JOHNSON CITY	1985	
80030	BRISTOL	1990	2011
80033	BRISTOL HOUSING AUTH	1998	
80040	GREENEVILLE TOWN OF	1981	
80042	GREENEVILLE LIGHT AND POWER	1981	
80050	TENNESSEE CO SERVICE	1981	
80051	TENNESSEE CO HWY OFFICIAL ASSN	1988	
80052	TENNESSEE CO COMMISSIONERS ASN	1988	
80057	C O A T	1993	
80060	OAK RIDGE	1987	
80061	OAK RIDGE UTILITY DIST	2006	
80065	OAK RIDGE FIRE AND POLICE	1987	
80073	MORRISTOWN HOUSING AUTH	1982	
80162	MONTGOMERY CO GEN FUND	1992	
80210	CLARKSVILLE MEM HOSP	1991	
80240	MURFREESBORO BD OF ED	1990	
80320	MCMINNVILLE	1981	
80330	MILLINGTON	1983	
80350	GREATER NASHVILLE REGIONAL COUNCIL	2000	
80410	NEW JOHNSONVILLE CITY	2000	
80420	RUTHERFORD COUNTY	1987	
80480	SPRINGFIELD	1990	
80500	HARTSVILLE TROUSDALE COUNTY	1981	
80540	WARREN CO COURTHOUSE EMP	2002	
80790	SMYRNA RUTHERFORD CO AIRPORT AUTHORITY	1994	
80820	SULLIVAN COUNTY	1987	2012
80850	LOUDON	1986	
80970	CLEVELAND CITY	1982	
81030	BEECH RIVER WATERSHED	1992	
81071	SOUTH CENTRAL TENNESSEE DEVELOPMENT DIST	2004	
81190	SOUTH CENTRAL TN WORKFORCE BD	2004	
81320	GOVERNORS BOOKS FROM BIRTH FOUNDATION	2005	
81390	BONDECROFT UTILITY DISTRICT	2005	
81400	WEST OVERTON UTILITY DISTRICT	2006	
81510	SOUTH PITTSBURG CITY OF	2013	
81884	WATAUGA CITY OF	2011	
82040	RIPLEY	1981	
82050	CLARKSVILLE MONTG CO LIB	1992	

**Appendix C: Employer with Non-Contributory Employees (Continued)**

<b>Department Code</b>	<b>Employer Name</b>	<b>Year of Non-Contributory Status Adoption</b>	<b>Year of Non-Contributory Status Reversal (if applicable)</b>
83000	COOKEVILLE	1992	
83050	HARDEMAN CO COURTHOUSE	2000	
83120	LEBANON ADMIN	1982	
83140	GOODLETTSVILLE	1981	2013
83170	JEFFERSON CITY	1981	
83180	CARTER CO COURTHOUSE	1992	2010
83186	CARTER COUNTY ECD 911	1993	
83200	MILAN	1998	
83220	BRENTWOOD	1982	2010
83290	HAYWOOD CO COURTHOUSE EMP	1990	
83340	SELMER	1981	
83361	SUMNER COUNTY	1993	
83390	WILSON CO COURTHOUSE EMP	1987	
83394	WILSON COUNTY EMERGENCY MGMT AGENCY	1987	
83440	TRI CITIES AIRPORT COMM	1987	
83441	TRI CITIES REGIONAL AIRPORT-HYBRID PLAN	2013	
83490	WASHINGTON CO	1984	
83610	JEFFERSON COUNTY	1986	
83640	JACKSON	1988	
83670	CROSSVILLE	1988	
83690	BOLIVAR	1984	
83761	FRANKLIN CO FINANCE DEPT	1981	
83860	HARDIN CO GEN HOSP	1982	
83920	ALPHA TALBOTT UT DIST	1986	
83990	MIDDLE TENN UT DIST	1981	
85020	HOHENWALD HOUSING AUTH	2006	
85060	MAURY CITY TOWN OF	1986	
85090	DOVER TOWN OF	1982	
86030	DANDRIDGE TOWN OF	1995	
87010	HENDERSONVILLE UT DIST	1981	
87080	MEMPHIS HOUSING AUTH	1982	2010
87110	BRADLEY COUNTY	1984	
87160	TENN SCH BD ASSN	1992	
87170	TENN SEC SCH ATH ASSN	1981	
87210	HENDERSONVILLE CITY OF	1995	
87290	WASHINGTON CO JOHNSON CITY EMS	1987	
87300	HAMILTON COUNTY	1981	
87320	TENNESSEE HISTORICAL SOCIETY	1985	

**Appendix C: Employer with Non-Contributory Employees (Continued)**

<b>Department Code</b>	<b>Employer Name</b>	<b>Year of Non-Contributory Status Adoption</b>	<b>Year of Non-Contributory Status Reversal (if applicable)</b>
87330	CLARKSVILLE MON CO REG PLANNING COMM	1992	
87380	COOKEVILLE HOUSING AUTH	2006	
87392	WEAKLEY CO GEN FUND	1999	
87395	WEAKLEY COUNTY-HYBRID PLAN 3	2013	
87430	GATLINBURG CITY OF	1981	
87460	MADISONVILLE	1982	
87480	MADISON CO GEN FUND	1990	
87488	MADISON COUNTY E 911 ECD	1993	
87500	WHITE PINE	1985	
87540	HICKMAN COUNTY GEN FUND	1998	
87550	ELIZABETHTON	1992	2011
87570	WESTMORELAND	1997	
87600	JACKSON MADISON CO LIBRARY	1990	
87621	WASH CO JOHNSON CITY ANIMAL CTRL CTR INC	1986	
87650	RED BANK	1998	
87660	ERWIN TOWN OF	1981	
87676	SOUTHWEST HUMAN RESOURCE AGENCY	2001	
87680	ESTILL SPRINGS TOWN OF	1981	
87710	BELLE MEADE CITY OF	1991	
87720	TENN SHERIFFS ASSN INC	1982	
87758	HARDEMAN FAYETTE UTILITY DISTRICT	1995	
87822	DAVIDSON COUNTY OFFICIALS	1987	
87823	DAVIDSON COUNTY OFFICIALS	1990	
87870	COLLEGEDALE CITY OF	1991	
87900	HIXSON UTILITY DISTRICT	1987	
88050	COMMUNITY HEALTH AGENCIES (CHA)	1991	
88055	TENNESSEE CSA	1991	
88200	MT JULIET	2006	
88311	LOBELVILLE	1988	2010
88312	MOUNT CARMEL	1996	
88320	DECATURVILLE	1999	
88380	WASHINGTON COUNTY 911	1988	
88390	SMITH UTILITY DISTRICT	1989	
88400	SHELBY COUNTY 911 DISTRICT	1988	
88409	GIBSON COUNTY E 911	1989	
88410	SULLIVAN COUNTY 911 EMERG COMM DIST	1998	
88490	FIRST TENNESSEE HUMAN RESOURCE AGENCY	1994	2013
88492	ROBERTSON CO 911 EMERG COMM DIST	1990	
88510	GLEN HILLS UTILITY DISTRICT	1995	

**Appendix C: Employer with Non-Contributory Employees (Continued)**

<b>Department Code</b>	<b>Employer Name</b>	<b>Year of Non-Contributory Status Adoption</b>	<b>Year of Non-Contributory Status Reversal (if applicable)</b>
88520	HAMILTON COUNTY 911 ECD	1990	
88530	VETERANS HOME BOARD	1993	
88550	RUTHERFORD COUNTY 911 ECD	1990	
88600	TENNESSEE MUNICIPAL LEAGUE POOL	1991	
88610	SOUTHEAST TENNESSEE DEVELOPMENT DISTRICT	1992	
88620	FIRST TENNESSEE DEVELOPMENT DISTRICT	1994	
88630	MONTGOMERY COUNTY 911 ECD	1992	
88640	SEVIER SOLID WASTE	1991	
88650	ASSOCIATION OF COUNTY MAYORS	1991	
88740	GREENBRIER TOWN OF	2001	
88860	COLLIERVILLE TOWN OF	1994	
88880	FAIRVIEW CITY OF	2002	
88900	CLARKSVILLE GENERAL FUND	1993	
88920	WILSON COUNTY ECD E 911	2004	
88970	WEAKLEY COUNTY EMERGENCY 911 DISTRICT	1999	
89100	TN ASSOCIATION OF ASSESSING OFFICERS	1996	
89140	CLEVELAND BRADLEY CO E 911	1997	
89190	DICKSON CITY OF GENERAL FUND	1997	2012
89270	KINSER PARK	1998	
89280	TIPTON COUNTY ECD	1998	
89460	TENNESSEE MUNICIPAL BOND FUND	2011	
89530	COOKEVILLE REGIONAL MEDICAL CENTER AUTHO	1999	
89570	ALCOA CITY OF	2000	
89590	TENNESSEE MUNICIPAL LEAGUE	2000	
89650	SOUTHWEST TN DEVELOPMENT DISTRICT	2001	
89780	WORKFORCE SOLUTIONS	2002	
89840	BIG CREEK UTILITY DISTRICT	2003	